

Real Estate Research

December 2011

Real Estate - Hotels

Hospitality Monthly

David Loeb

dloeb@rwbaird.com

414.765.7063

Jonathan Pong

jpong@rwbaird.com

414.765.3552

Michael J. Bellisario

mbellisario@rwbaird.com

414.298.6130



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The logo for BAIRD, featuring the word "BAIRD" in white, uppercase, sans-serif font, set against a blue parallelogram background.

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Please refer to Important Disclosures and Analyst Certification on page 23-24.

Note: All prices, estimates and other data are as of 11/30/11 unless otherwise noted.

Hospitality Trends and Developments

- **Hotel Stock Rally Takes a Breather; Baird/STR Hotel Stock Index Down 2.7% in November**

After the [Baird/STR Hotel Stock Index](#) gained nearly 22% in October, stocks pulled back modestly in November and finished the month down 2.7%. The Index was down nearly 12% at one point in another month of volatile trading. For November, the Index outperformed the RMZ by 136 bps but underperformed the S&P 500 by 219 bps. Macroeconomic headlines continue to dominate the news, but hotel fundamentals have remained resilient. Earnings season appeared to focus investor attention on fundamentals, but once that concluded, macro issues came back to the forefront. A complete list of the stocks in the index can be found at www.hotelstockindex.com. The co-branded custom hotel stock index, developed by Baird and hosted on Smith Travel Research's HotelNewsNow.com, includes the 15 largest hotel stocks traded in the U.S.

- **What Debt Concerns? Hilton Investing Heavily in UK, Europe**

Hilton recently announced plans to open 110 hotels in Europe and 20 in the UK over the next few years despite rising unemployment figures and debt concerns that threaten the hinges of the economy. We view the expansion plans as indicative of a lodging industry still optimistic that long-term lodging demand in European cities can withstand the near-term economic volatility of the market. Inbound travelers from Asia continue to defray any negative fallout from the sluggish European economy as Chinese travelers in particular find it much easier to obtain travel visas to Europe compared to the US. Publicly traded hotel brands such as Starwood, Marriott, InterContinental, and Hyatt have struck a cautiously optimistic tone toward European lodging demand in 2012. Starwood remains the most exposed brand company to a slowdown in Europe although management has commented that demand remains stable even in those countries that have experienced fiscal challenges, such as Spain, Italy, and Greece – sentiment that peers have echoed as well.

- **Highlights from Bisnow's Chicago Hotel Investment Summit**

Private investors and other non-public industry participants often provide the most candid color on trends in the marketplace. We recently attended the Bisnow-sponsored Chicago Hotel Investment Summit, which featured a panel of executives from private companies such as Walton Street and Aries. Several themes were emphasized perhaps more emphatically than we have heard from public company management teams – the lack of debt financing, including for good assets and good sponsors, the importance of the “lifestyle” hotel to cater to current consumer tastes, and the attractiveness of the select-service operating model in an environment where guests are paying full-service rates for the more intimate select-service experience.

- **First It's Political Gridlock; Now More Supply May Be Coming to the Washington, DC Market**

The Washington, DC market has been a relative underperformer in 2011 given political gridlock and the resulting pullback in government spending. Despite this weakness, however, fundamentals in the DC market – occupancy and RevPAR – are at record high levels. Owners like the stable fundamentals of the DC market, and as a result, new developments are coming online quickly. The 1,175-room Marriott Marquis adjacent to the convention center is the largest hotel currently under construction in the US. Two other hotels, a Residence Inn and a Courtyard, both of which are not yet under construction, could also be added near the convention center. Lodging Econometrics estimates there are an additional 4,000 rooms in the planning stages for the Washington, DC CBD. Our read on all of this – there is a lot of noise out there but with construction financing essentially non-existent in today's uncertain marketplace, we are not certain all of the developments in the pipeline will come to fruition. More and more projects are receiving approval but we do not see all of these projects getting underway any time soon. Also, with the threat of other new hotels coming into the market, we believe lenders could take a cautious approach given all of the competing supply. Net, net – long term we continue to like the Washington, DC market despite all of the near-term uncertainty with what is happening on both the political front and the supply side.

Baird Hospitality Research Commentary

Hotel Sector Stance: Overweight Hotel REITs and C-Corps

We are recommending an overweight allocation to hotel REITs and C-corps. Industry trends continue to show strong fundamentals and commentary from industry contacts reiterates that underlying demand remains robust. Rising occupancy has allowed operators to push rate more aggressively and margin expansion has been strong as a result. Group bookings continue to grow, albeit at a modest pace, and booking windows are beginning to widen. At this point in the still-early stages of the lodging upcycle, we favor asset owners over operators due to greater operating leverage, financial leverage, and a more concentrated exposure to fast-recovering and high-barrier-to-entry markets. Although the risk of declining demand in the industry has heightened given all the macroeconomic headwinds, we do not envision a widespread pullback that justifies current valuations. The current demand-to-supply growth rate spread stands at approximately 3% in favor of demand, well above historical norms and the spread is likely to remain positive given expectations for sub-1% supply growth through 2013.

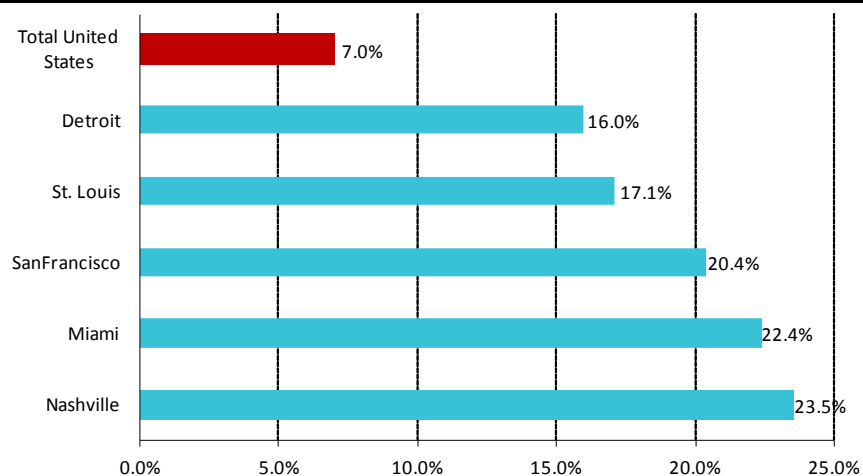
- IHG is our top hotel brand pick given that (1) IHG has the largest pipeline of hotels in the world; (2) the revamped Holiday Inn brand should generate faster RevPAR growth than its comp set; (3) IHG has significant international exposure and a robust pipeline in key markets like China; and (4) unit growth should resume meaningfully in 2012. Risks include a double-dip recession, tarnishing of IHG's brand images, and low share liquidity for the ADRs.
- Host is our top hotel REIT pick given that (1) its robust balance sheet uniquely positions the company for growth, (2) Host's investment capacity allows it to target portfolio and single-asset transactions that smaller REITs do not have the capacity to purchase, (3) its exposure to high-barrier coastal markets should lead to outsized RevPAR gains, and (4) a focus on larger hotels in major urban markets positions the company well for a return in group business. Risks include exposure to the higher-end traveler and dependence on group business.

Select Baird Research from November

11/11/2011	AHT Ashford Hospitality Trust Inc. 3Q11 Headlined by Highland Ramp-Up, Capital Markets Aggressiveness
11/18/2011	IND Real Estate Hotels NAREIT Recap: Hotel Portfolios Primed for Margin Growth in 2012
11/28/2011	INN Summit Hotel Properties Introducing 2013 Estimates -- Outperform Rating Still Intact
11/30/2011	MAR Marriott International Inc. Timeshare Spin-Off Strengthens Value Thesis
12/1/2011	SPPR Supertel Hospitality Preferred Sale Removes Most Near-Term Liquidity Risk; Focus Now on Growth
12/5/2011	IND Real Estate Hotels Takeaways from Chicago Hotel Investment Summit: Bullish on Select Service

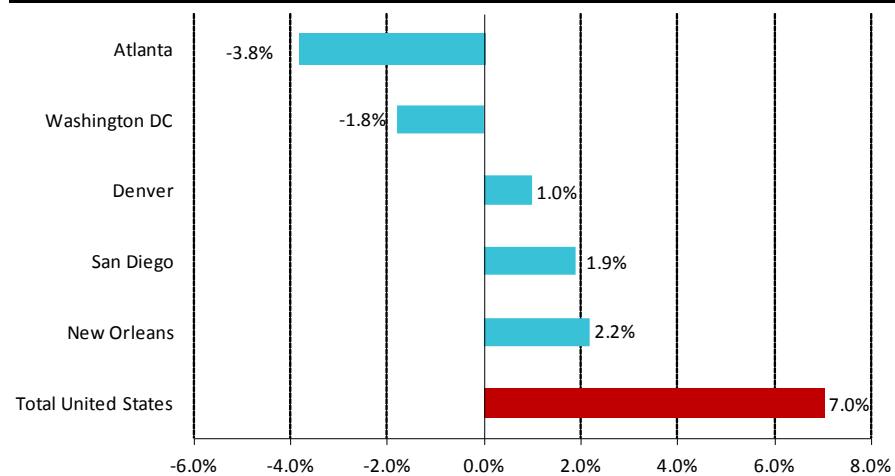
Hotel Market Performance

October RevPAR - Top Five Markets



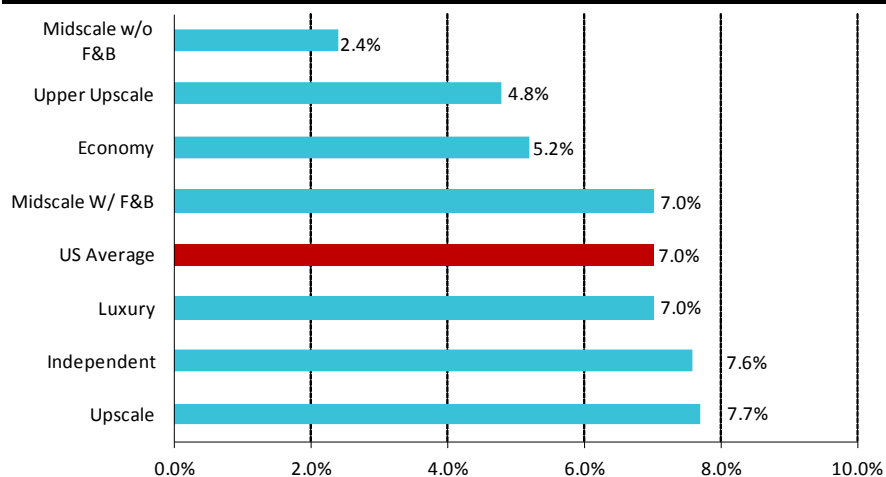
Source: Smith Travel Research

October RevPAR - Bottom Five Markets



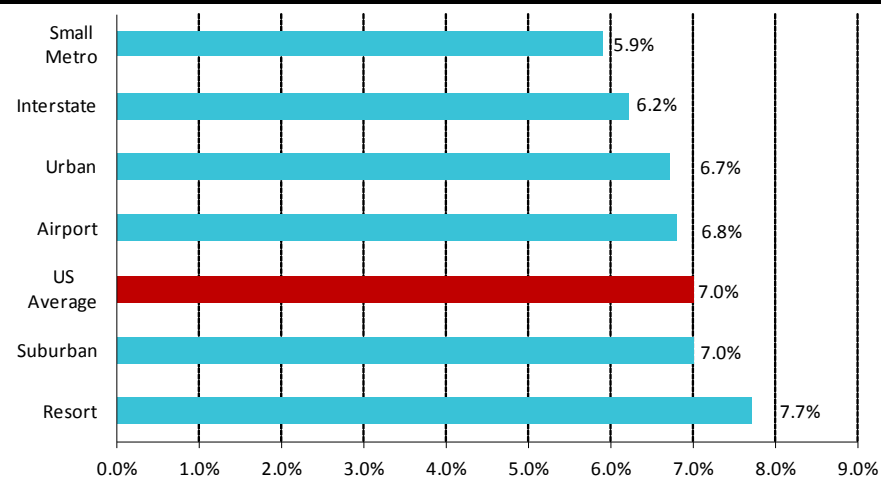
Source: Smith Travel Research

October RevPAR - Chain Scale Ranking



Source: Smith Travel Research

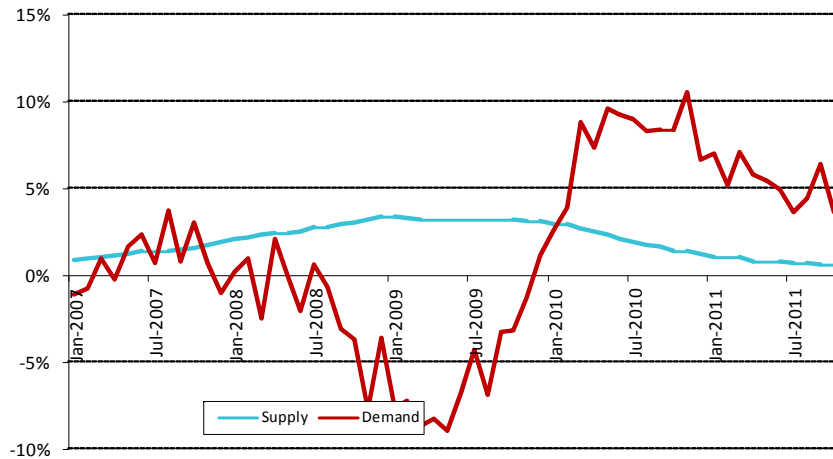
October RevPAR - Location Ranking



Source: Smith Travel Research

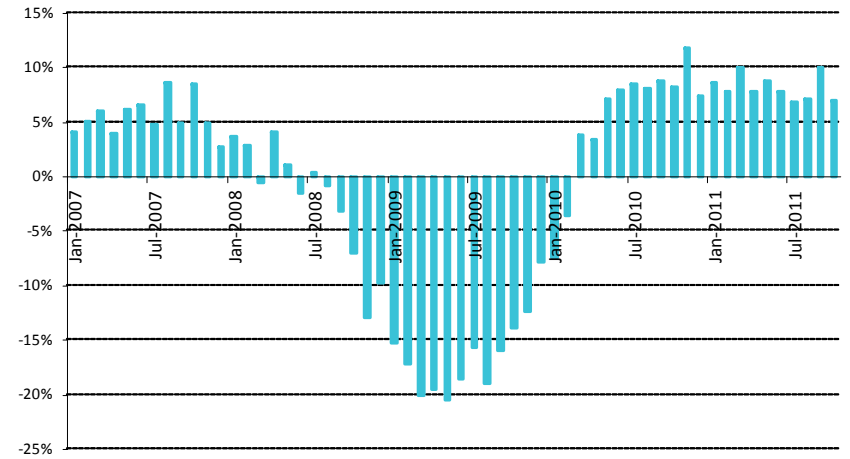
Fundamental Hotel Data

Hotel Supply/Demand Growth, January 2007-Present



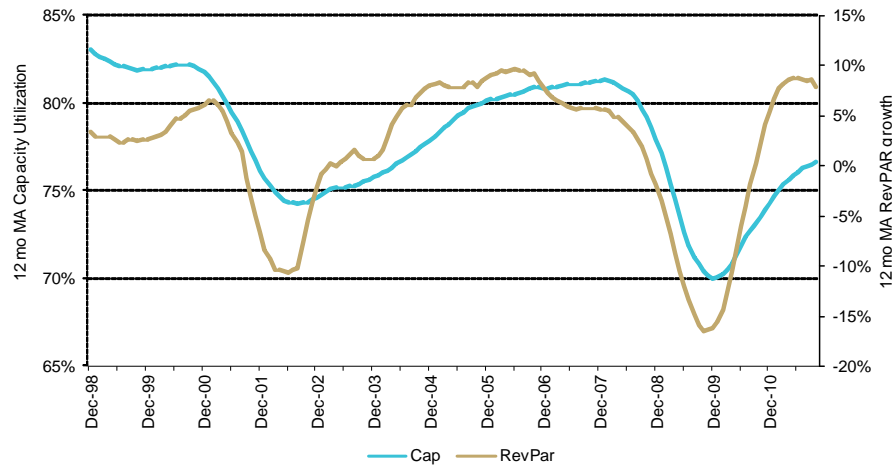
Source: Smith Travel Research

Monthly RevPAR Growth, January 2007-Present



Source: Smith Travel Research

Capacity Utilization vs. RevPAR Growth, 1999-Present



Source: Federal Reserve, Smith Travel Research

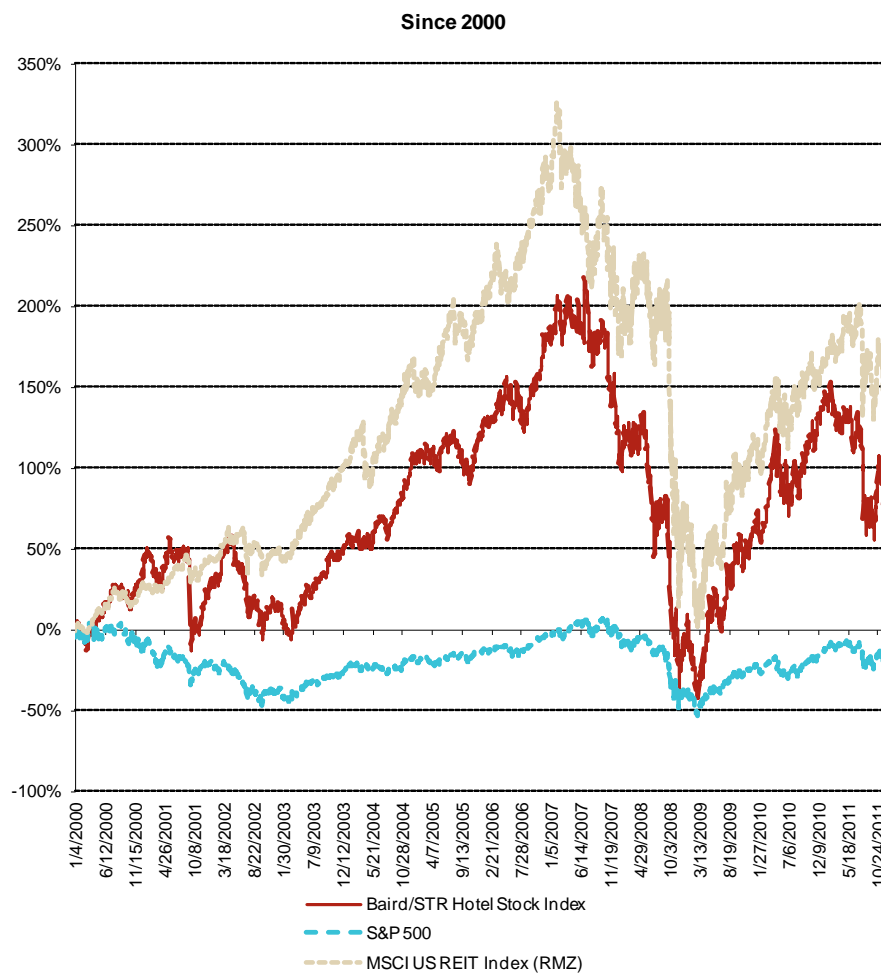
Consumer Confidence, 1999 - Present



Source: The Conference Board

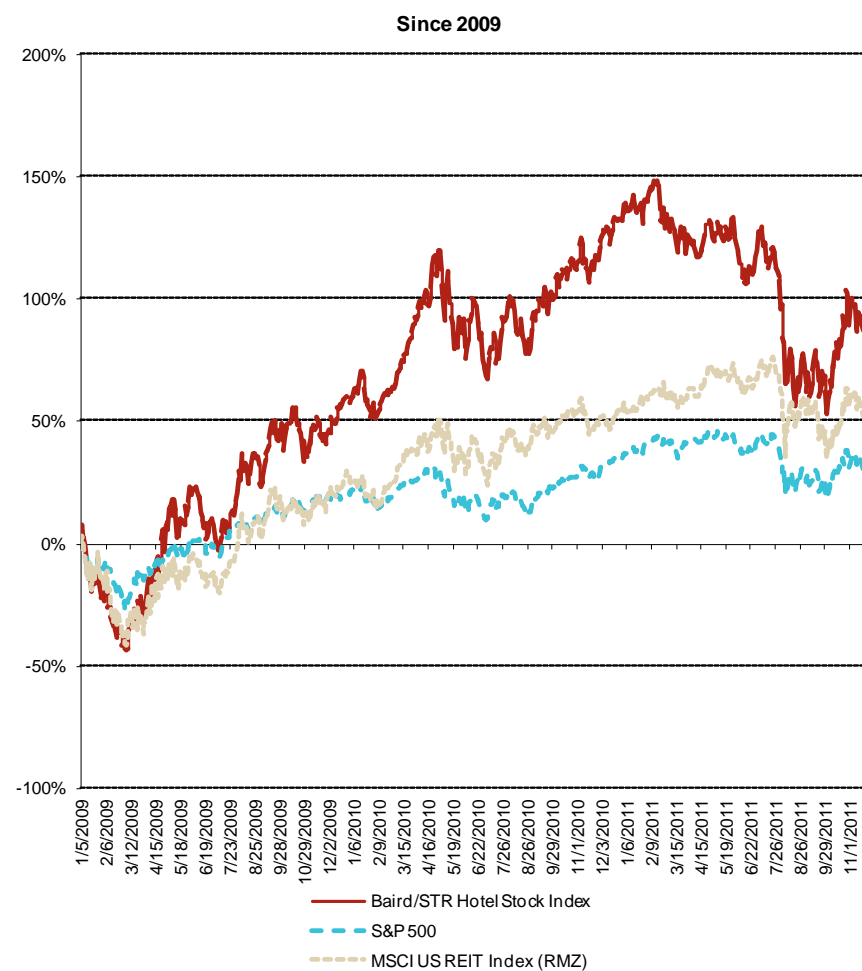
Baird / Smith Travel Research Hotel Stock Index

Baird / Smith Travel Research Hotel Stock Index Versus Other Major Stock Indices



Source: Baird Research, SNL Financial

Baird / Smith Travel Research Hotel Stock Index Versus Other Major Stock Indices

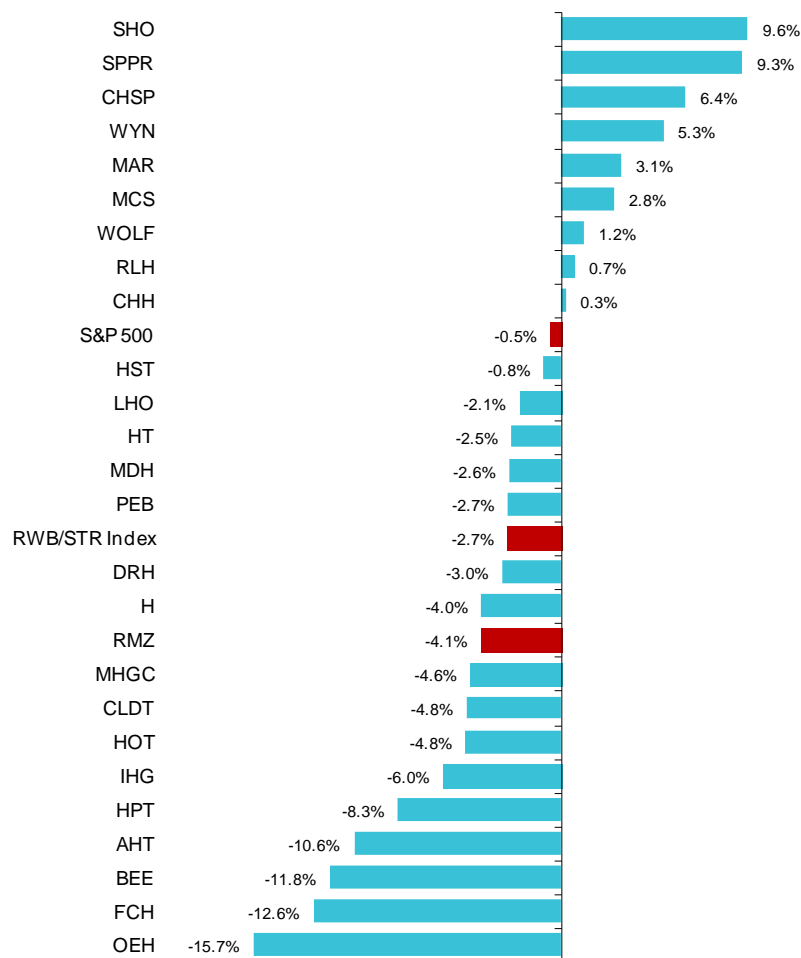


Source: Baird Research, SNL Financial

The Baird/STR Hotel stock index was created on June 1, 2010, and characterizes stock performance since January 1, 2000. Performance for time periods prior to the creation date is hypothetical. The index is comprised of 15 of the largest domestically available hotel stocks and reviewed quarterly for composition adjustments by Baird equity research. It is not possible to invest directly in the index.

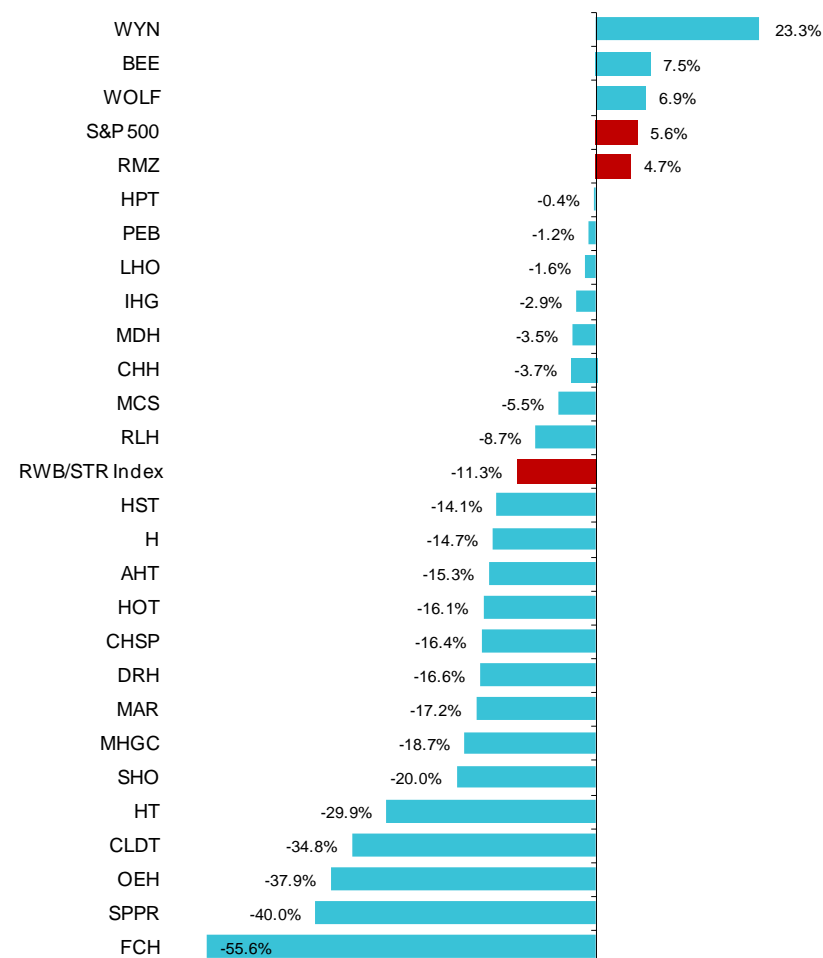
Share Performance

Past Month



Source: FactSet and Baird Research

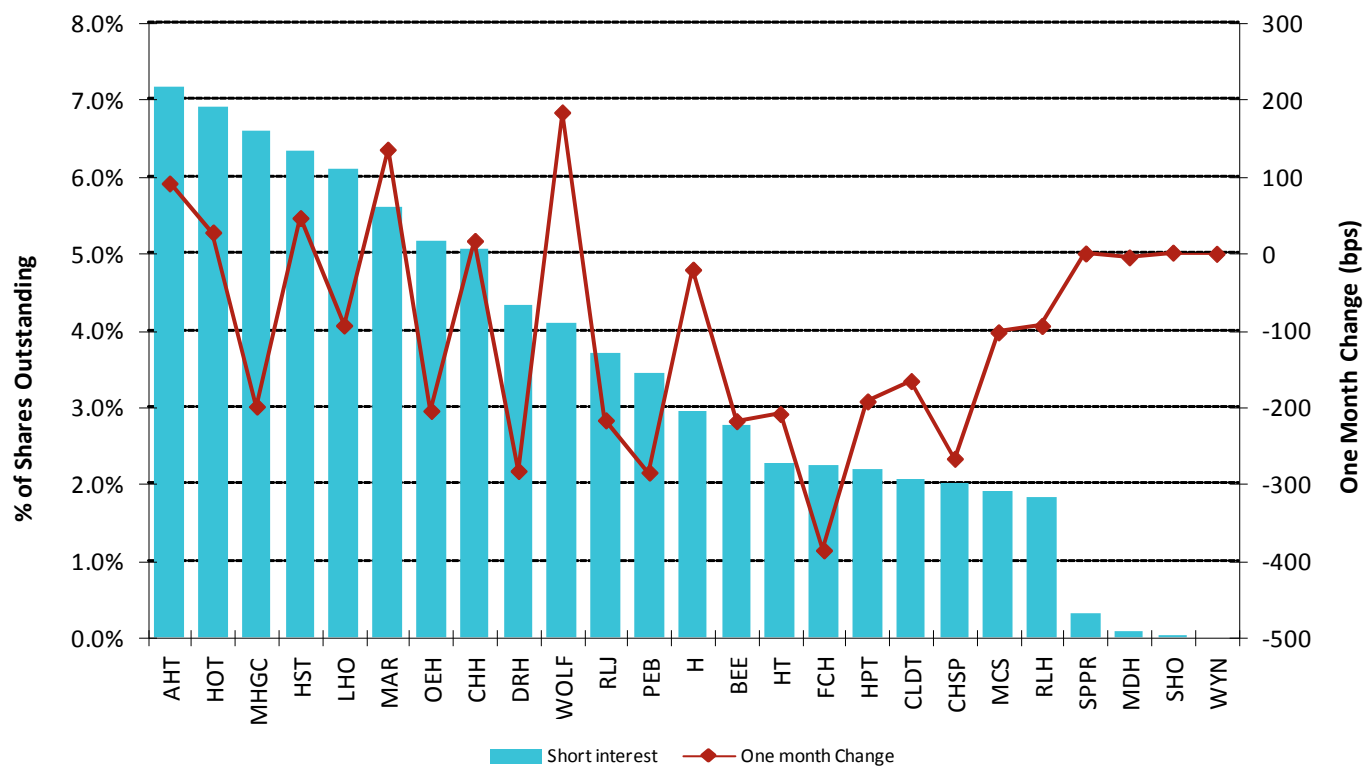
Past Year



Source: FactSet and Baird Research

Hospitality Psychometric Indicators

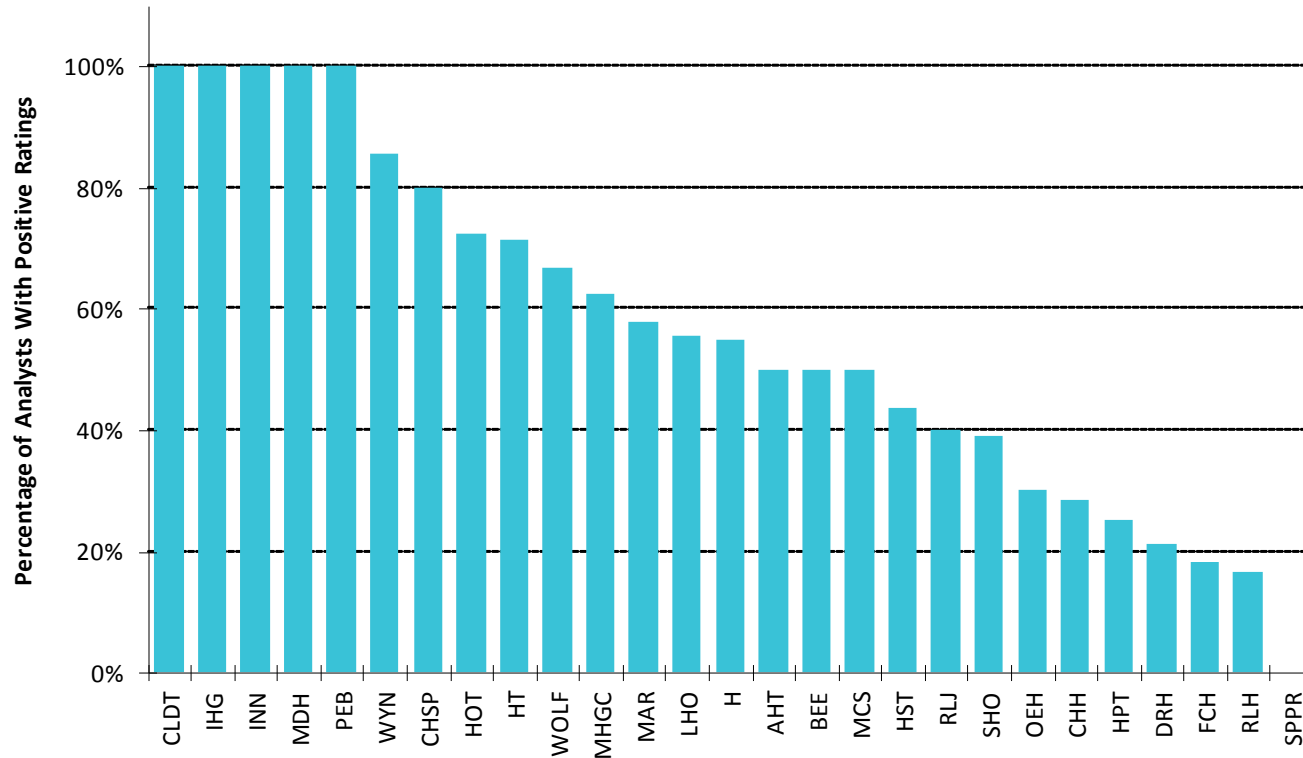
Short Interest



Source: FactSet & SNL Financial

Hospitality Psychometric Indicators

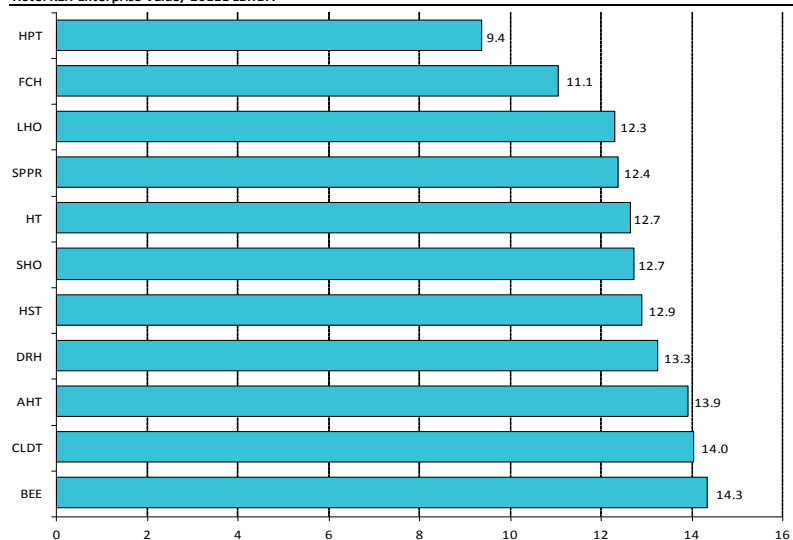
Analyst Sentiment - Percentage Buy Rated



Source: Thomson First Call

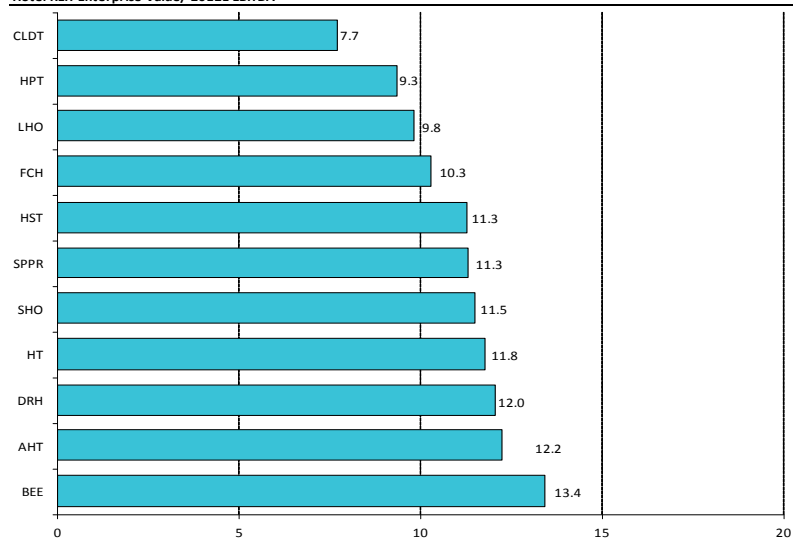
Relative Valuation: EBITDA Multiples

Hotel REIT Enterprise Value/ 2011E EBITDA



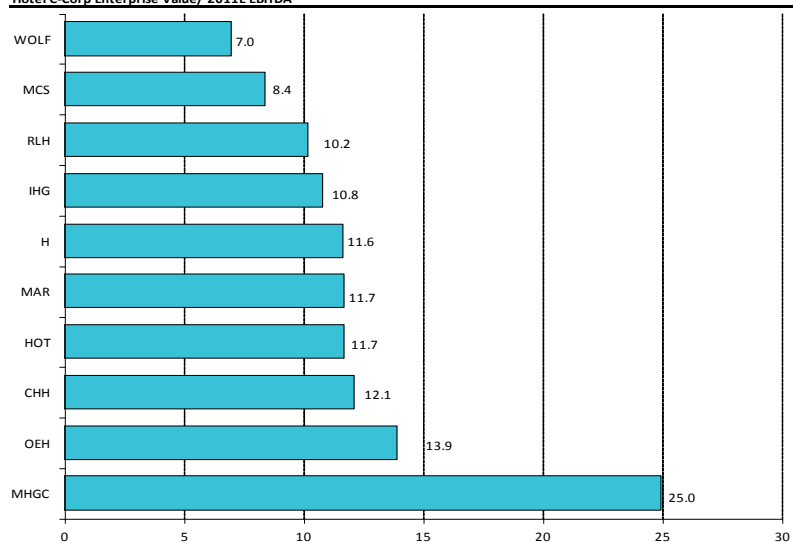
Source: SNL Financial, First Call

Hotel REIT Enterprise Value/ 2012E EBITDA



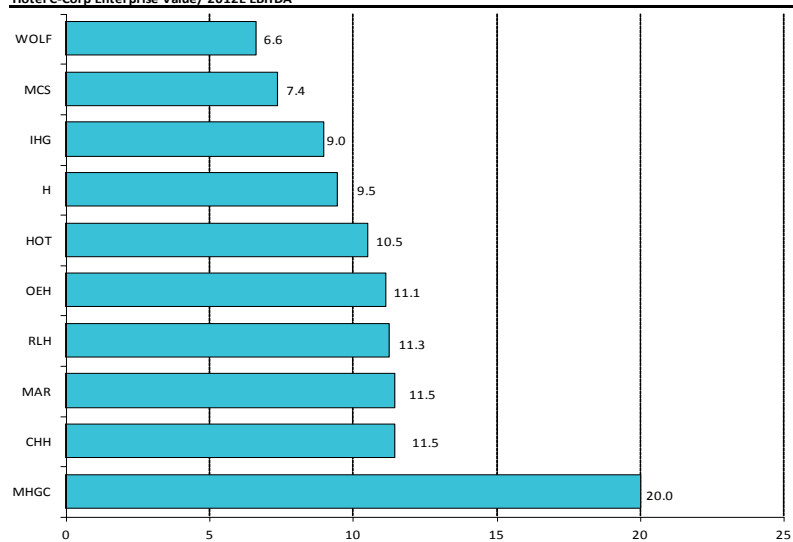
Source: SNL Financial, First Call

Hotel C-Corp Enterprise Value/ 2011E EBITDA



Source: SNL Financial, First Call

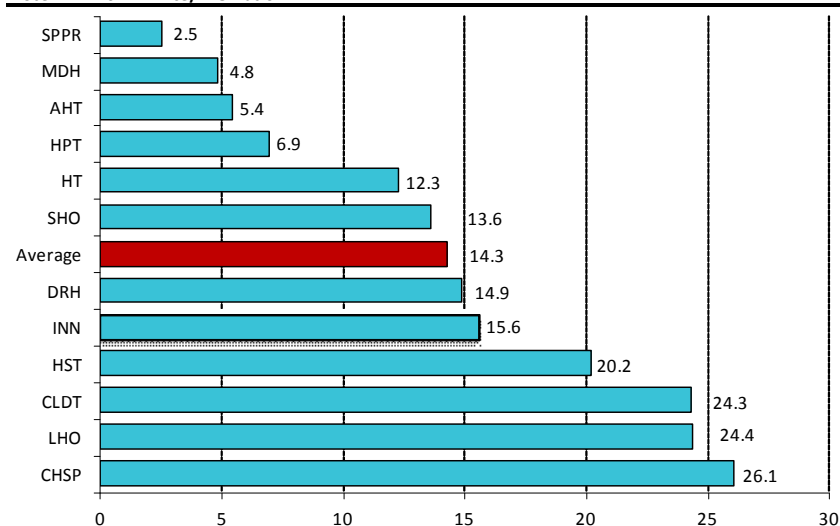
Hotel C-Corp Enterprise Value/ 2012E EBITDA



Source: SNL Financial, First Call

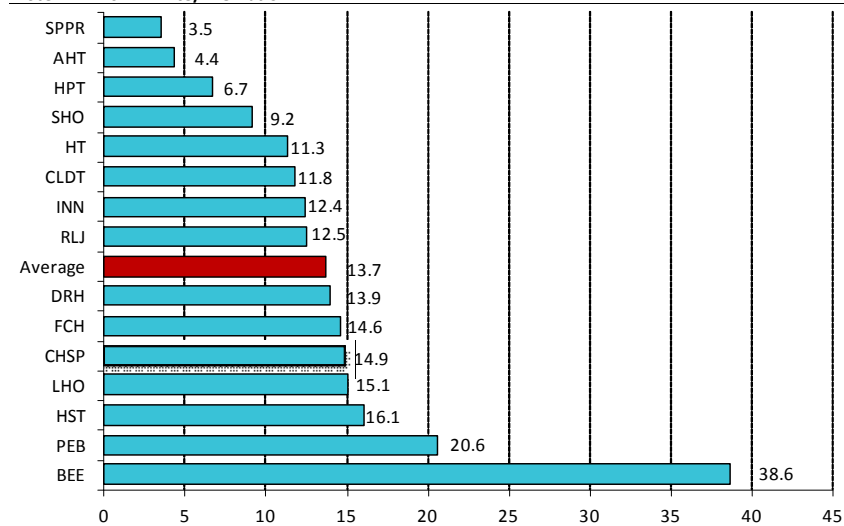
Relative Valuation: FFO Multiples

Hotel REIT 2011E Price/FFO Ratio



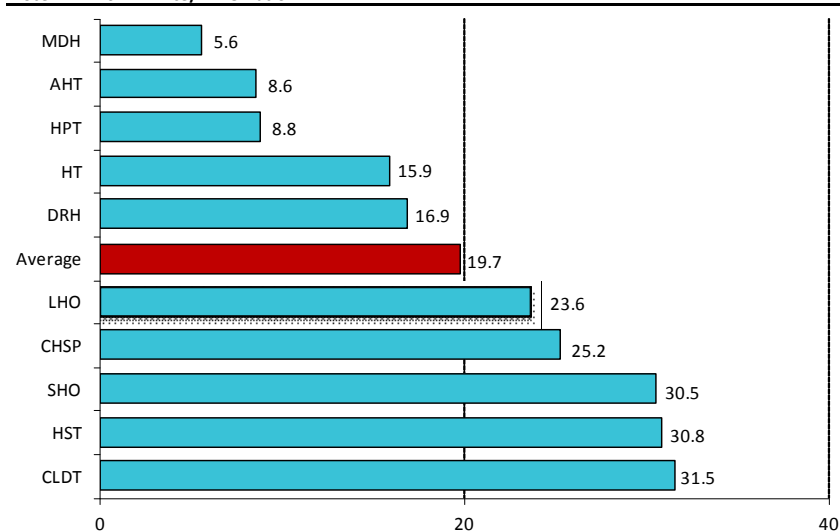
Source: SNL Financial, First Call

Hotel REIT 2012E Price/FFO Ratio



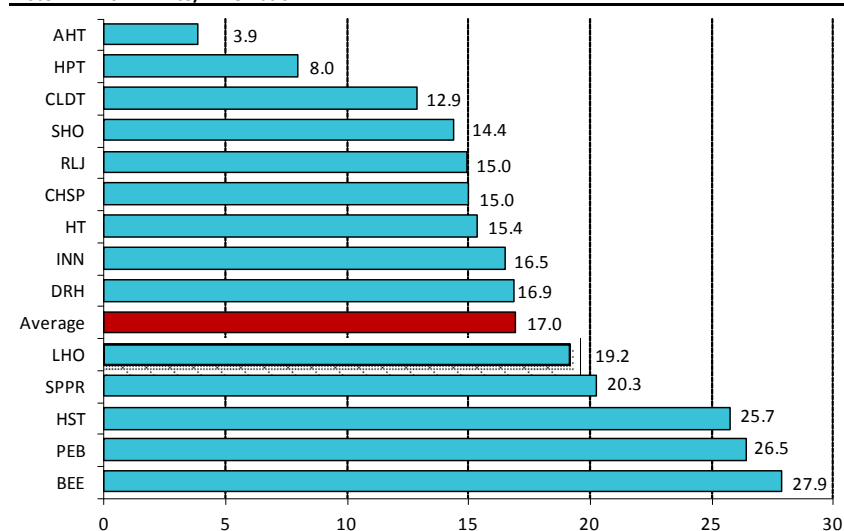
Source: SNL Financial, First Call

Hotel REIT 2011E Price/AFFO Ratio



Source: SNL Financial, First Call

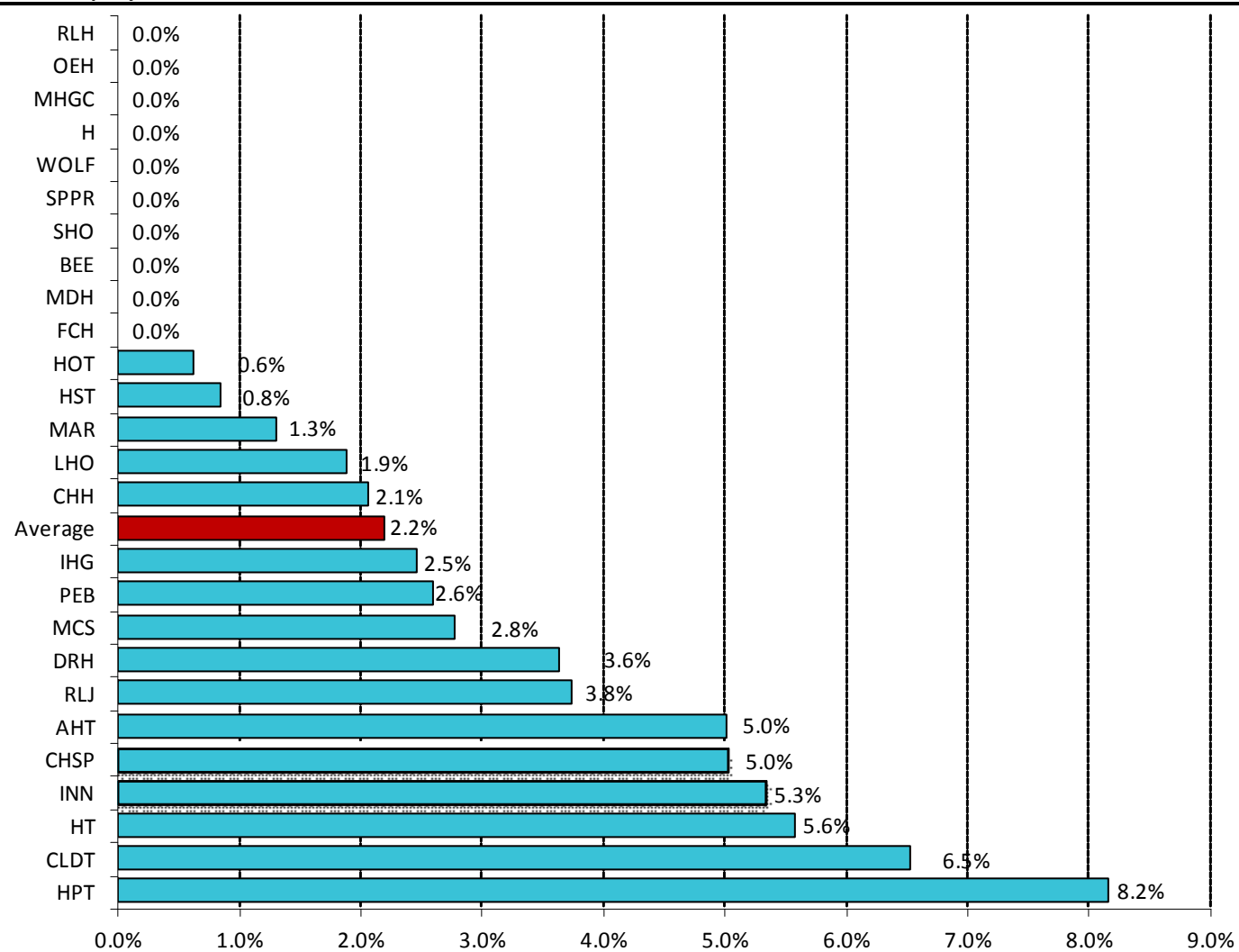
Hotel REIT 2012E Price/AFFO Ratio



Source: SNL Financial, First Call

Dividend Yield

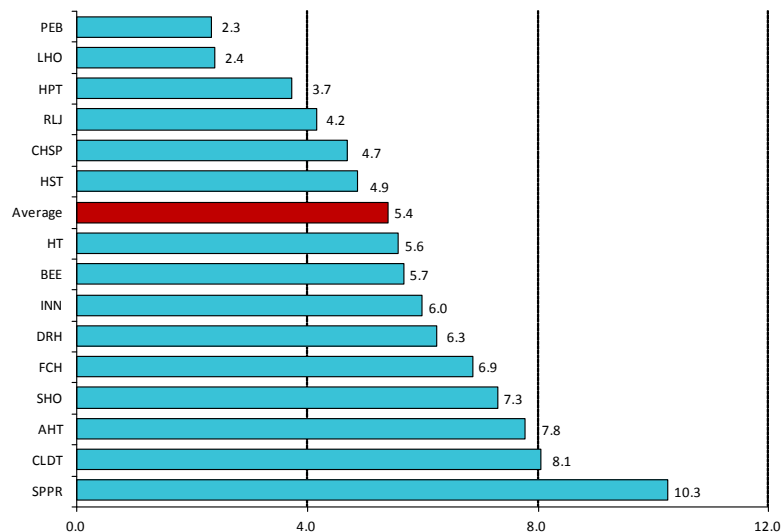
Hotel Company Dividend Yields



Source: SNL Financial

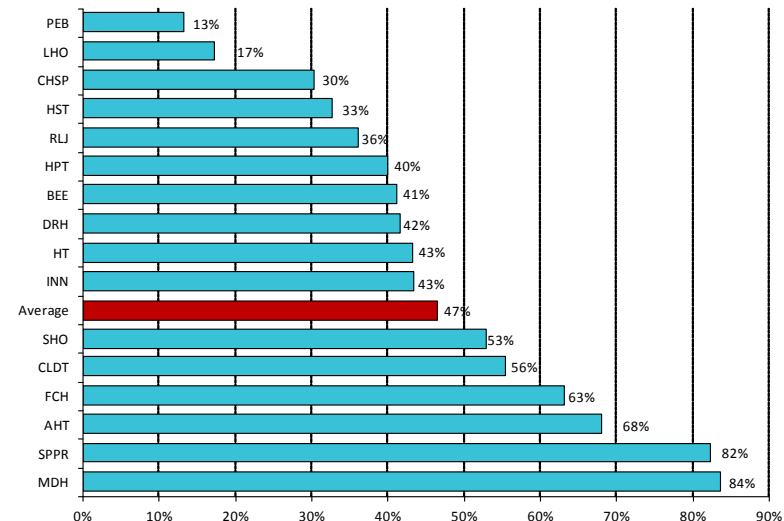
Capital Structure

Hotel REIT Debt / 2011E EBITDA



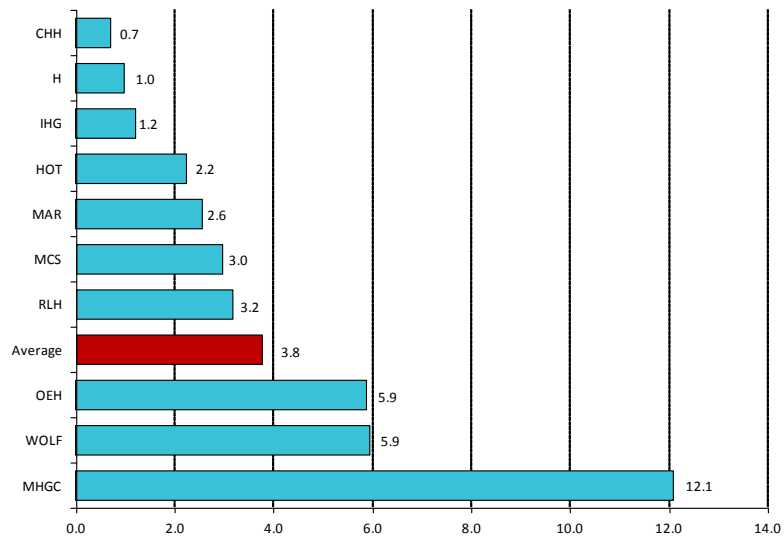
Source: SNL Financial

Hotel REIT Debt / Enterprise Value



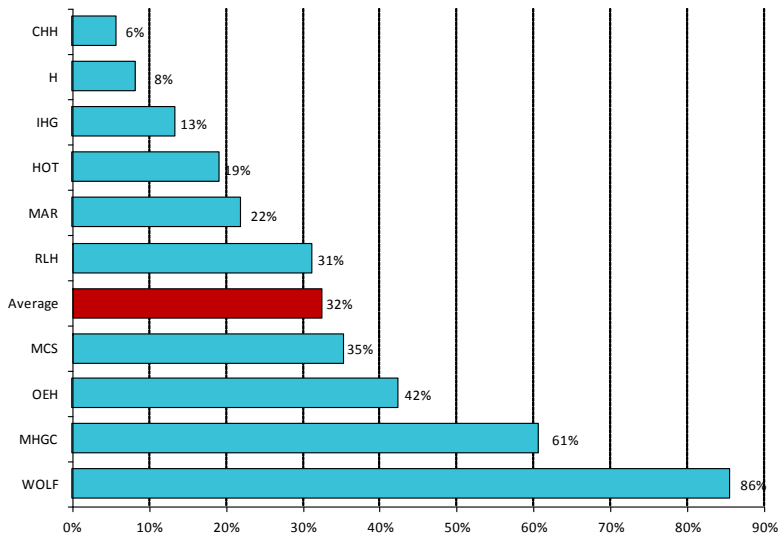
Source: SNL Financial

Hotel C-Corp Debt / 2011E EBITDA



Source: SNL Financial

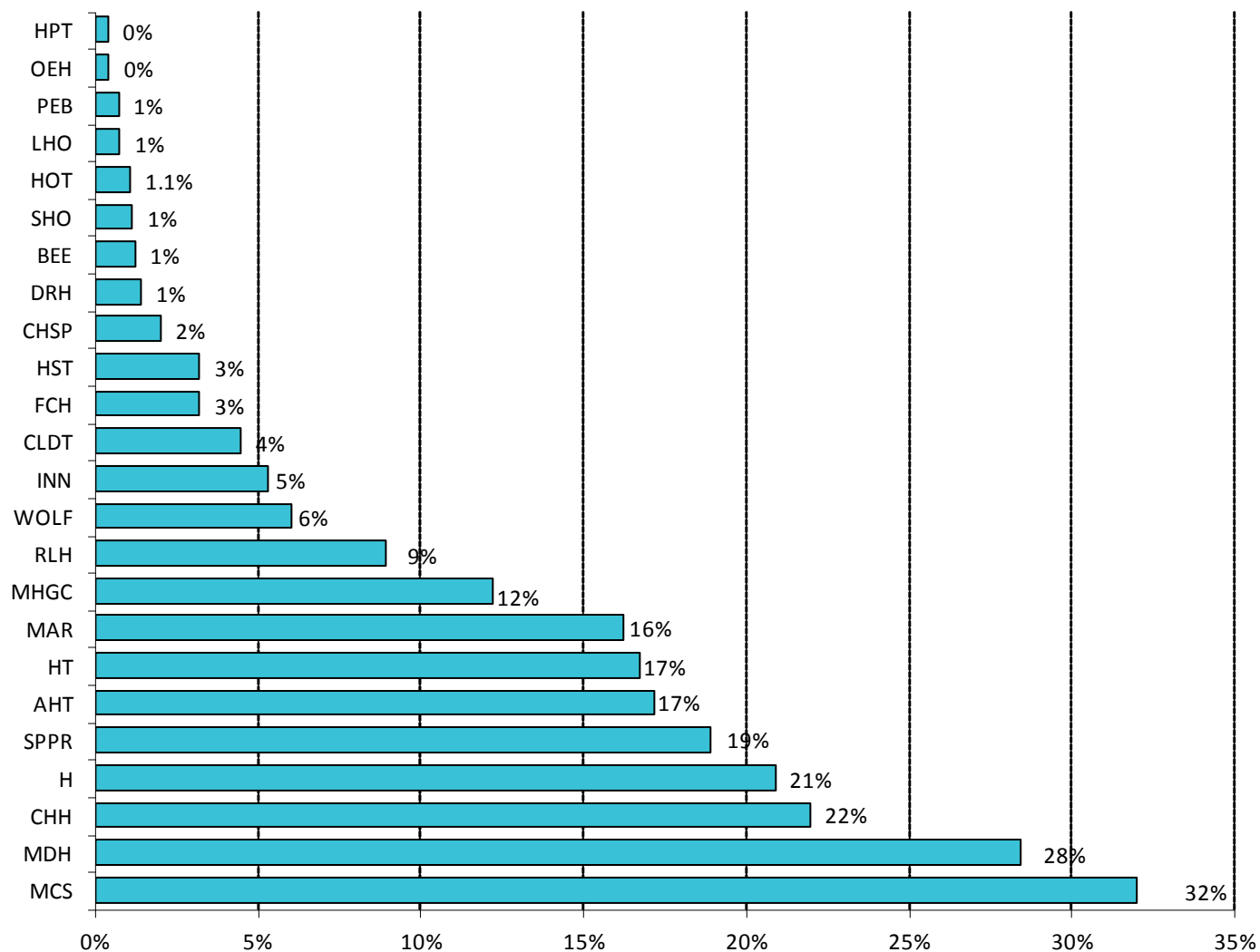
Hotel C-Corp Debt / Enterprise Value



Source: SNL Financial

Hospitality Stock Ownership: Insiders

Hotel Company Insider Ownership

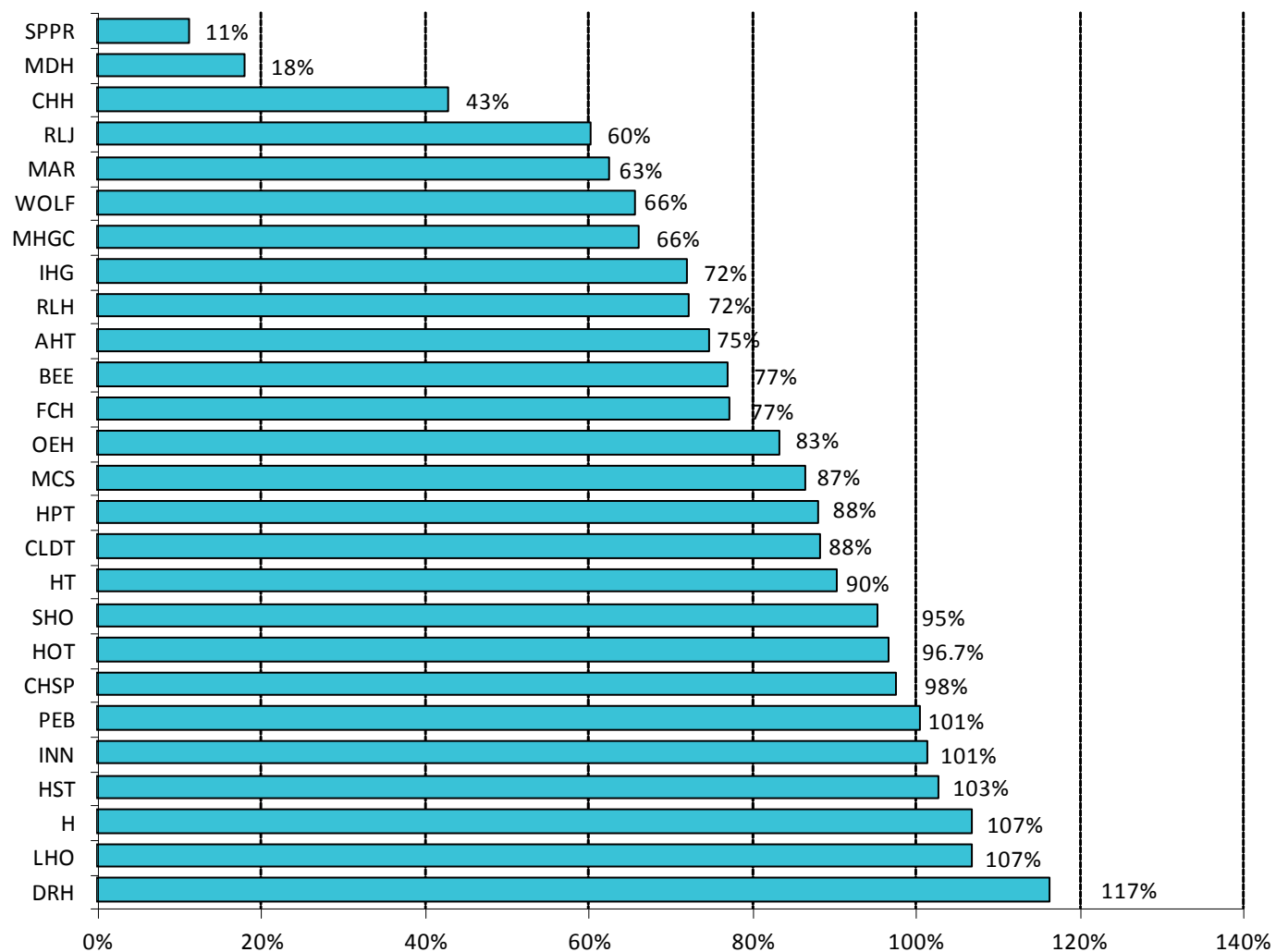


Source: SNL Financial

H & MCS have Class B stock owned by family insiders which vote 10:1 versus the publicly traded Class A shares. Percentages are based on equity ownership, not voting rights.

Hospitality Stock Ownership: Institutional

Hotel Company Institutional Ownership



Source: SNL Financial

Some institutional ownership percentages may exceed 100% due to shares held short.

Hospitality Data Comparison

Hospitality Data Comparison

				Market Cap	Average	52 week	52 week	Insider	Institutional	Annualized	
	Ticker	Exchange	11/30/11	(millions)	Volume (000s)	high	low	Ownership	Ownership	Dividend	Yield
REITs											
Ashford Hospitality	AHT	NYSE	\$7.96	\$671	738	\$14.32	\$5.93	17%	75%	\$0.40	5.0%
Chatham Lodging Trust	CLDT	NYSE	\$10.71	\$148	54	\$18.04	\$8.82	4%	88%	\$0.70	6.5%
Chesapeake Lodging Trust	CHSP	NYSE	\$15.90	\$511	164	\$19.95	\$10.69	2%	98%	\$0.80	5.0%
DiamondRock Hospitality	DRH	NYSE	\$8.78	\$1,471	1,630	\$12.63	\$6.30	1%	117%	\$0.32	3.6%
FelCor Lodging Trust	FCH	NYSE	\$2.63	\$329	1,415	\$8.31	\$1.91	3%	77%	\$0.00	0.0%
Hersha Hospitality Trust	HT	NYSE	\$4.30	\$762	1,173	\$6.94	\$3.14	17%	90%	\$0.24	5.6%
Hospitality Properties Trust	HPT	NYSE	\$22.03	\$2,721	995	\$25.94	\$19.00	0%	88%	\$1.80	8.2%
Host Hotels & Resorts	HST	NYSE	\$14.15	\$10,137	10,390	\$19.88	\$9.78	3%	103%	\$0.12	0.8%
LaSalle Hotel Properties	LHO	NYSE	\$23.41	\$1,961	969	\$29.58	\$15.17	1%	107%	\$0.44	1.9%
MHI Hospitality	MDH	NASDAQ	\$2.23	\$29	7	\$3.10	\$1.90	28%	18%	\$0.00	0.0%
Pebblebrook Hotel Trust	PEB	NYSE	\$18.52	\$943	486	\$22.47	\$14.00	1%	101%	\$0.48	2.6%
RLJ Lodging Trust	RLJ	NYSE	\$16.00	\$1,715	543	\$18.38	\$11.66	NA	60%	\$0.60	3.8%
Strategic Hotels and Resorts	BEE	NYSE	\$5.02	\$936	1,736	\$7.62	\$3.76	1%	77%	\$0.00	0.0%
Summit Hotel Properties	INN	NYSE	\$8.42	\$315	208	\$11.63	\$6.16	5%	101%	\$0.45	5.3%
Sunstone Hotel Investors	SHO	NYSE	\$7.62	\$904	2,245	\$11.15	\$4.79	1%	95%	\$0.00	0.0%
Supertel Hospitality	SPPR	NASDAQ	\$0.81	\$19	23	\$1.90	\$0.60	19%	11%	\$0.00	0.0%
C-Corps											
Choice Hotels International	CHH	NYSE	\$35.89	\$2,098	213	\$41.42	\$26.31	22%	43%	\$0.74	2.1%
Great Wolf Resorts	WOLF	NASDAQ	\$2.49	\$81	88	\$3.65	\$2.02	6%	66%	\$0.00	0.0%
Hyatt Hotels Corporation	H	NYSE	\$35.69	\$5,895	358	\$50.00	\$29.18	21%	107%	\$0.00	0.0%
InterContinental Hotels Group	IHG	NYSE	\$17.37	\$5,124	91	\$23.48	\$14.65	NA	72%	\$0.51	2.9%
Marcus Corporation	MCS	NYSE	\$12.25	\$358	107	\$14.64	\$8.00	32%	87%	\$0.34	2.8%
Marriott International	MAR	NYSE	\$30.62	\$10,262	4,411	\$42.78	\$25.49	16%	63%	\$0.40	1.3%
Morgans Hotel Group	MHGC	NASDAQ	\$6.21	\$197	167	\$11.46	\$4.38	12%	66%	\$0.00	0.0%
Orient-Express Hotels	OEH	NYSE	\$7.19	\$738	910	\$14.24	\$6.02	0%	83%	\$0.00	0.0%
Red Lion Hotels	RLH	NYSE	\$7.00	\$134	42	\$9.29	\$6.00	9%	72%	\$0.00	0.0%
Starwood Hotels and Resorts	HOT	NYSE	\$47.68	\$9,321	3,677	\$65.51	\$35.78	1%	97%	\$0.50	1.0%

Source: SNL Financial

Hospitality Data Comparison

Hospitality Data Comparison

			Market Cap	Average	Ent. Value/	Ent. Value/	Net debt /	Net debt /		(Discount)/
	Ticker	11/30/11	(millions)	Volume	2011E EBITDA	2012E EBITDA	Ent. Value	2011 EBITDA	Consensus NAV	Premium to
				(000s)						Consensus NAV
REITs										
Ashford Hospitality	AHT	\$7.96	\$671	738	13.9	12.2	68%	7.8	\$10.49	-24.1%
Chatham Lodging Trust	CLDT	\$10.71	\$148	54	14.0	7.7	56%	8.1	\$11.02	-2.8%
Chesapeake Lodging Trust	CHSP	\$15.90	\$511	164	NA	11.6	30%	4.7	\$18.18	-12.5%
DiamondRock Hospitality	DRH	\$8.78	\$1,471	1,630	13.3	12.0	42%	6.3	\$10.15	-13.5%
FelCor Lodging Trust	FCH	\$2.63	\$329	1,415	11.1	10.3	63%	6.9	\$3.81	-31.0%
Hersha Hospitality Trust	HT	\$4.30	\$762	1,173	12.7	11.8	43%	5.6	\$5.31	-19.0%
Hospitality Properties Trust	HPT	\$22.03	\$2,721	995	9.4	9.3	40%	3.7	\$26.40	-16.6%
Host Hotels & Resorts	HST	\$14.15	\$10,137	10,390	12.9	11.3	33%	4.9	\$16.88	-16.2%
LaSalle Hotel Properties	LHO	\$23.41	\$1,961	969	12.3	9.8	17%	2.4	\$26.13	-10.4%
MHI Hospitality	MDH	\$2.23	\$29	7	NA	NA	84%	NA	NA	NA
Pebblebrook Hotel Trust	PEB	\$18.52	\$943	486	NA	14.7	13%	2.3	\$18.27	1.4%
RLJ Lodging Trust	RLJ	\$16.00	\$1,715	543	NA	NA	36%	4.2	\$18.60	-14.0%
Strategic Hotels and Resorts	BEE	\$5.02	\$936	1,736	14.3	13.4	41%	5.7	\$6.10	-17.7%
Summit Hotel Properties	INN	\$8.42	\$315	208	NA	11.6	43%	6.0	\$8.29	1.6%
Sunstone Hotel Investors	SHO	\$7.62	\$904	2,245	12.7	11.5	53%	7.3	\$10.21	-25.4%
Supertel Hospitality	SPPR	\$0.81	\$19	23	12.4	11.3	82%	10.3	\$1.55	-47.7%
Sector Average			\$1,473	1,424	12.6	11.3	47%	5.7		
C-Corps										
Choice Hotels International	CHH	\$35.89	\$2,098	213	12.1	11.5	6%	0.7		
Great Wolf Resorts	WOLF	\$2.49	\$81	88	7.0	6.6	86%	5.9		
Hyatt Hotels Corporation	H	\$35.69	\$5,895	358	11.6	9.5	8%	1.0		
InterContinental Hotels Group	IHG	\$17.37	\$5,124	91	10.7	8.9	13%	1.2		
Marcus Corporation	MCS	\$12.25	\$358	107	8.4	7.4	35%	3.0		
Marriott International	MAR	\$30.62	\$10,262	4,411	11.7	11.5	22%	2.6		
Morgans Hotel Group	MHGC	\$6.21	\$197	167	25.0	20.0	61%	12.1		
Orient-Express Hotels	OEH	\$7.19	\$738	910	13.9	11.1	42%	5.9		
Red Lion Hotels	RLH	\$7.00	\$134	42	10.2	11.3	31%	3.2		
Starwood Hotels and Resorts	HOT	\$47.68	\$9,321	3,677	11.7	10.5	19%	2.2		
Sector Average			\$3,421	1,007	12.2	10.8	32%	3.8		

Note: EBITDA figures for IHG are Baird estimates; EV/EBITDA estimates for CHSP, PEB, INN are Baird estimates

Source: SNL Financial

Appendix

Hospitality Stock Performance Table

Company Name	Ticker	11/30/2011	% change		52 week	
		Price	vs. Last Month	vs. Last Year	High	Low
Ashford Hospitality	AHT	\$7.96	-10.6%	-15%	\$14.32	\$5.93
Chatham Lodging Trust	CLDT	\$10.71	-4.8%	-35%	\$18.04	\$8.82
Chesapeake Lodging Trust	CHSP	\$15.90	6.4%	-16%	\$19.95	\$10.69
Choice Hotels International	CHH	\$35.89	0.3%	-4%	\$41.42	\$26.31
DiamondRock Hospitality	DRH	\$8.78	-3.0%	-17%	\$12.63	\$6.30
FelCor Lodging Trust	FCH	\$2.63	-12.6%	-56%	\$8.31	\$1.91
Great Wolf Resorts	WOLF	\$2.49	1.2%	7%	\$3.65	\$2.02
Hyatt Hotels Corporation	H	\$35.69	-4.0%	-15%	\$50.00	\$29.18
Hersha Hospitality Trust	HT	\$4.30	-2.5%	-30%	\$6.94	\$3.14
Hospitality Properties Trust	HPT	\$22.03	-8.3%	0%	\$25.94	\$19.00
Host Hotels & Resorts	HST	\$14.15	-0.8%	-14%	\$19.88	\$9.78
Intercontinental Hotels Group	IHG	\$17.37	-6.0%	-3%	\$23.48	\$14.65
LaSalle Hotel Properties	LHO	\$23.41	-2.1%	-2%	\$29.58	\$15.17
Marcus Corporation	MCS	\$12.25	2.8%	-5%	\$14.64	\$8.00
Marriott International	MAR	\$30.62	3.1%	-17%	\$40.32	\$24.03
MHI Hospitality	MDH	\$2.23	-2.6%	-3%	\$3.10	\$1.90
Morgans Hotel Group	MHGC	\$6.21	-4.6%	-19%	\$11.46	\$4.38
Orient-Express Hotels	OEH	\$7.19	-15.7%	-38%	\$14.24	\$6.02
Pebblebrook Hotel Trust	PEB	\$18.52	-2.7%	-1%	\$22.47	\$14.00
Red Lion Hotels	RLH	\$7.00	0.7%	-9%	\$9.29	\$6.00
Starwood Hotels and Resorts	HOT	\$47.68	-4.8%	-16%	\$65.51	\$35.78
Strategic Hotels and Resorts	BEE	\$5.02	-11.8%	7%	\$7.62	\$3.76
Sunstone Hotel Investors	SHO	\$7.62	9.6%	-20%	\$11.15	\$4.79
Supertel Hospitality	SPPR	\$0.81	9.3%	-40%	\$1.90	\$0.60
Wyndham Worldwide	WYN	\$35.45	5.3%	23%	\$36.60	\$24.76
Baird / Smith Travel Hotel Stock Index		1,951	-2.7%	-11%	2,530	1,556
S&P 500		1,247	-0.5%	6%	1,371	1,075
RMZ		765	-4.1%	5%	868	647

Source: FactSet

Appendix

Hospitality Psychometric Indicators

	Insider Transactions Past 3 mo.		Short Interest				Analyst Opinion			FFO/EPS Estimate Revisions
	Insider Buys (000s)	Insider Sells (000s)	Shares Short (000s)	Percent Outstanding	Change (bps)		Buy	Neutral/ Sell	% Buy Rated	Past 3 mo.
					One month	Three months				
AHT	108	0	4,236	7.2%	91	(635)	4	4	50%	-3%
BEE	202	0	4,177	2.8%	(218)	(167)	5	5	50%	3%
CHH	0	0	3,008	5.0%	17	(95)	6	15	29%	6%
CHSP	103	0	369	2.0%	(267)	(94)	8	2	80%	-5%
CLDT	3	0	190	2.1%	(166)	(91)	4	0	100%	1%
DRH	0	0	6,706	4.3%	(283)	(92)	4	15	21%	-4%
FCH	0	0	2,167	2.2%	(386)	(171)	2	9	18%	-5%
H	65	0	1,317	3.0%	(21)	(175)	11	9	55%	19%
HOT	0	41	13,349	6.9%	28	(137)	21	8	72%	2%
HPT	0	0	2,702	2.2%	(192)	(86)	2	6	25%	-1%
HST	0	0	42,797	6.3%	46	40	10	13	43%	-4%
HT	6	0	3,852	2.3%	(208)	(89)	10	4	71%	-4%
IHG	0	0	NA	NA	NA	NA	4	0	100%	2%
INN	20	0	NA	NA	NA	NA	6	0	100%	-6%
LHO	0	0	4,460	6.1%	(93)	(157)	10	8	56%	-1%
MAR	0	423	20,519	5.6%	135	(187)	15	11	58%	-1%
MCS	0	0	394	1.9%	(102)	(134)	1	1	50%	-2%
MDH	12	0	7	0.1%	(5)	(5)	1	0	100%	-16%
MHGC	1,657	0	1,998	6.6%	(199)	(277)	5	3	63%	25%
OEH	0	0	5,273	5.2%	(204)	(323)	3	7	30%	-160%
PEB	37	0	1,368	3.4%	(285)	(44)	8	0	100%	71%
RLH	657	0	347	1.8%	(94)	(65)	1	5	17%	26%
RLJ	0	0	4,334	3.7%	(217)	(196)	4	6	40%	-6%
SHO	115	0	9	0.0%	1	(1)	7	11	39%	-1%
SPPR	41	0	105	0.3%	0	(69)	0	2	0%	-8%
WOLF	0	0	7,114	4.1%	184	(45)	2	1	67%	-2%
WYN	0	31	0	0.0%	0	0	12	2	86%	2%

Source: SNL Financial and FactSet

Baird Hospitality Research Coverage List



David Loeb - Senior Research Analyst
414-765-7063, dloeb@rwbaird.com

Jonathan Pong - Senior Research Associate
414-765-3552, jpong@rwbaird.com

Michael J. Bellisario - Research Analyst
414-298-6130, mbellisario@rwbaird.com

Hotels																															
General		Ashford Hospitality Trust Inc.	Chesapeake Lodging Trust	Choice Hotels International, Inc.	DiamondRock Hospitality Corporation	FelCor Lodging Trust Incorporated	Hyatt Hotels Corporation	Hospitality Properties Trust	Hersha Hospitality Trust	Host Hotels and Resorts Inc.	Intercontinental Hotels Group PLC																				
	Ticker	AHT	CHSP	CHH	DRH	FCH	H	HPT	HT	HST	IHG																				
	Rating	Outperform	Outperform	Neutral	Neutral	Neutral	Outperform	Outperform	Outperform	Outperform	Outperform																				
	Risk	Higher	Higher	Average	Average	Higher	Average	Average	Higher	Average	Average																				
	Price 11/30/11	\$7.96	\$15.90	\$35.89	\$8.78	\$2.63	\$35.69	\$22.03	\$4.30	\$14.15	\$16.45																				
	52 wk. H - L (\$)	14 - 6	20 - 11	41 - 26	13 - 6	8 - 2	50 - 29	26 - 19	7 - 3	20 - 10	NA																				
	Equity Cap (\$mil.)	671	511	2,098	1,471	329	5,895	2,721	762	10,137	0																				
	Avg. Vol. (thous.)	738	164	213	1,630	1,415	NA	995	1,173	10,390	NA																				
	Yield	5.0%	5.0%	2.1%	3.6%	0.0%	0.0%	8.2%	5.6%	1.1%	3.6%																				
	NAV (\$)	10.61	17.69	NA	9.69	2.63	NA	25.82	5.22	15.95	NA																				
Earnings	Core FFO & AFFO (\$)																														
		*EPS Only		*EPS Only		*EPS Only		*EPS Only		*EPS Only																					
		P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.						
	2010	5.3	NA	34%	22.2	115.2	NA	20.6	-	3%	14.0	21.2	-19%	NA	NA	-126%	111.5	-	147%	6.8	8.5	-2%	12.1	16.3	-38%	19.2	35.7	0%	17.2	-	-3%
	2011E	3.9	3.9	35%	14.1	60.1	58%	20.0	-	3%	13.7	20.5	3%	15.5	NA	-282%	61.2	-	82%	6.5	7.8	5%	11.6	14.8	5%	15.6	23.1	23%	13.4	-	28%
2012E	4.2	5.4	-7%	9.2	42.3	53%	18.6	-	7%	10.1	14.1	35%	7.3	15.9	112%	32.4	-	89%	6.7	7.6	-3%	11.0	14.1	5%	12.4	16.6	26%	11.7	-	14%	
Capital Structure	Capital Structure																														
	Ent. Value (\$ mil)	3,241	734	2,227	2,518	2,269	7,041	5,186	1,639	15,139	5,651																				
Details	Sector	Midscale w/o F/B, Upscale	Upscale, Upper upscale	Midscale and economy	Upscale, Upper upscale	Midscale w/ F/B, Upscale	Luxury and upper upscale	Lim. Ser. NNN, travel center	Midscale w/o F&B	Upper upscale, Luxury	Luxury, midscale w/o F&B																				
	Key Locations	Washington, DC Los Angeles	Boston	North America	Chicago Los Angeles Atlanta	California Florida	North America	California Texas	Philadelphia New York Boston	New York Washington, DC	New York, London, Paris, global																				

Source: Company reports, SNL Financial, and Robert W. Baird & Co. estimates

Robert W. Baird & Co.

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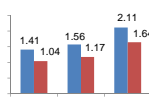
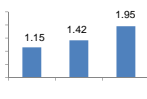
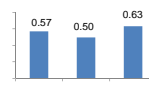
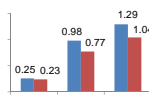
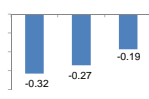
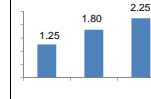
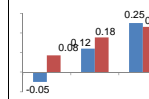
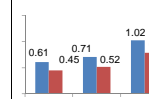
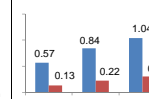
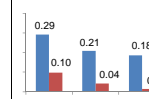
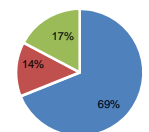
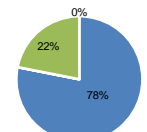
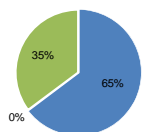
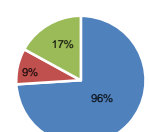
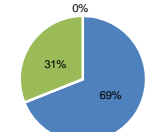
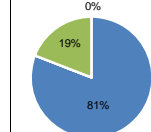
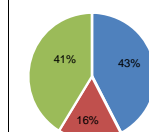
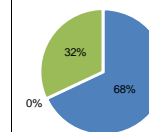
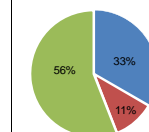
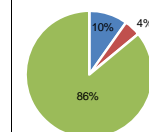
Baird Hospitality Research Coverage List

BAIRD

David Loeb - Senior Research Analyst
414-765-7063, dloeb@rwbaird.com

Jonathan Pong - Senior Research Associate
414-765-3552, jpong@rwbaird.com

Michael J. Bellisario - Research Analyst
414-298-6130, mbellisario@rwbaird.com

Hotels																															
General		LaSalle Hotel Properties	Marriott International Inc.	Marcus Corporation	Pebblebrook Hotel Trust	Red Lion Hotels Corporation	Starwood Hotels & Resorts Worldwide Inc.	Strategic Hotels and Resorts	Summit Hotel Properties	Sunstone Hotel Investors, Inc.	Supertel Hospitality Inc.																				
	Ticker	LHO	MAR	MCS	PEB	RLH	HOT	BEE	INN	SHO	SPPR																				
	Rating	Outperform	Outperform	Outperform	Outperform	Neutral	Neutral	Neutral	Outperform	Neutral	Neutral																				
	Risk	Average	Average	Average	Average	Higher	Higher	Higher	Average	Average	Speculative																				
	Price 11/30/11	\$23.41	\$30.62	\$12.25	\$18.52	\$7.00	\$47.68	\$5.02	\$8.42	\$7.62	\$0.81																				
	52 wk. H - L (\$)	30 - 15	43 - 25	15 - 8	22 - 14	9 - 6	66 - 36	8 - 4	12 - 6	11 - 5	2 - 1																				
	Equity Cap (\$mil.)	1,961	10,262	358	943	134	9,321	936	315	904	19																				
	Avg. Vol. (thous.)	969	4,411	107	486	42	3,677	1,736	208	2,245	23																				
	Yield	1.9%	1.3%	2.8%	2.6%	0.0%	1.0%	0.0%	5.3%	0.0%	0.0%																				
	NAV (\$)	23.01	NA	NA	15.35	NA	NA	NA	5.69	7.90	9.06	0.25																			
Earnings	Core FFO & AFFO (\$)																														
		*EPS Only																													
	P/FFO	P/AFFO	FFO Gr.	P/E	-	EPS Gr.	P/FFO	P/AFFO	FFO Gr.	P/E	-	EPS Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	
	2010	16.6	22.5	-9%	26.6	-	23%	NA	-	-1%	NA	-	497%	38.1	-	22%	NA	59.1	-84%	13.8	18.8	NA	13.5	56.6	-16%	2.8	8.4	-26%	4.4	58.6	-11%
	2011E	15.0	19.9	11%	21.6	-	23%	NA	-	-13%	NA	-	-14%	26.4	-	44%	NA	28.2	-342%	11.9	16.3	16%	9.1	34.4	49%	3.9	19.3	-28%	4.4	58.6	-11%
2012E	11.1	14.3	35%	15.7	-	38%	NA	-	27%	NA	-	-32%	21.2	-	25%	NA	21.7	109%	8.2	10.7	44%	7.3	25.3	23%	4.4	58.6	-11%	4.4	58.6	-11%	
Capital Structure	Capital Structure																														
	Ent. Value (\$ mil)	2,846	13,145	553	1,337	194	11,519	2,216	555	2,874	199																				
Details	Sector	Upper upscale	Franchise and Mgmt	Theatres / Full-service htls	Full-service, upper-up htls	Upscale, Upper upscale	Franchise, Mgmt, Owner	Upper upscale, Luxury	Upper midscale, upscale	Upscale, Upper upscale	Economy, some mid-scale																				
	Key Locations	San Diego, Wash, DC, Boston, Chicago	North America	Milwaukee, WI	Washington, DC, Atlanta	Spokane, WA, Seattle, WA	North America	California, Chicago, Europe	Atlanta, Boise, Denver, Portland, Scottsdale	Southern California	Midwest, Eastern US near interstates																				

Source: Company reports, SNL Financial, and Robert W. Baird & Co. estimates

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Valuation and Investment Risks

Hotel industry. The hotel industry is a cyclical industry and is heavily dependent on the overall health of the U.S. economy. Economic downturns and external events such as terrorism can have significant impact on the profitability of the lodging industry.

Hotel supply growth. Hotel supply growth has been above historical averages in recent years, but is tapering off in 2010. Increasing supply in a market can drive down rates hotels are able to charge, leading to weak results for hotels in such markets.

Debt financing. The company's ability to grow depends on its ability to obtain debt financing at competitive rates. High levels of debt could also increase the company's vulnerability to adverse economic conditions, and force it to dedicate more cash flow to interest rather than to capital investment or dividends.

Interest rates. The price of the company's equity securities might vary substantially depending on changes in market interest rates. One such factor is the annual yield of distributions on company stock compared to alternative yields on other financial instruments.

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Baird's Hospitality Real Estate Contacts

Research

David Loeb
dloeb@rwbaird.com
414.765.7063

Jonathan Pong
jpong@rwbaird.com
414.765.3552

Michael J. Bellisario
mbellisario@rwbaird.com
414.298.6130

Investment Banking

Steve Goldberg
sgoldberg@rwbaird.com
703.918.7808

Justin Glasgow
jglasgow@rwbaird.com
703.821.5763

Trading

Mike Lanigan
mlanigan@rwbaird.com
414.298.5275

Jeff Goddard
jgoddard@rwbaird.com
414.298.7792

Equity Capital Markets

Rick Conklin
rconklin@rwbaird.com
312.609.5480



Equity Capital Markets and Private Equity Office Locations

U.S. Offices

Atlanta

One Buckhead Plaza
3060 Peachtree Road
Suite 1815
Atlanta, GA 30305
888.792.9478

Boston

One Post Office Square
Suite 3617
Boston, MA 02109
888.661.5431

Charlotte

4725 Piedmont Row Drive
Piedmont Town Center Two
Suite 750
Charlotte, NC 28210
704.553.6600

Chicago

227 West Monroe Street
Suite 2100
Chicago, IL 60606
800.799.5770

Milwaukee

777 East Wisconsin Avenue
Milwaukee, WI 53202
888.224.7326

Nashville

2525 West End Avenue
Suite 1000
Nashville, TN 37203
888.454.4981

Palo Alto

1661 Page Mill Road
Suite A
Palo Alto, CA 94304
650.858.3800

San Francisco

101 California Street
Suite 2450
San Francisco, CA 94111
866.715.4024

555 California Street
Suite 1350

San Francisco, CA 94104
415.627.3270

St. Louis

8000 Maryland Avenue
Suite 500
St. Louis, MO 63105
888.792.7634

Stamford

100 First Stamford Place
3rd Floor
Stamford, CT 06902
800.380.3247

Tampa

401 East Jackson Street
Suite 2900
Tampa, FL 33602
888.238.2672

Washington, D.C.

Pinnacle Tower North
1751 Pinnacle Drive
Suite 1100
McLean, VA 22102
888.853.2753

International Locations*

Frankfurt

Neue Mainzer Strasse 28
60311 Frankfurt
Germany
011.49.69.13.01.49.0

Hong Kong

Suite 3304, 33/F
Bank of America Tower
No.12 Harcourt Road
Central, Hong Kong
011.852.2827.8822

London

Mint House
77 Mansell Street
London E1 8AF
UK
011.44.207.488.1212

Shanghai

Rm 42-022, 42/F, Hang Seng Bank Tower
No.1000 Lujiazui Ring Road
Pudong Shanghai 200120, China
011.86.21.6182.0980

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